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FISCAL IMPACT STATEMENT

LS 7232

BILL NUMBER: HB 1260

NOTE PREPARED: Jan 7, 2013

BILL AMENDED:

SUBJECT: Veterans Business Set-Aside.

FIRST AUTHOR: Rep. Klinker

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill has the following provisions:

- (1) Authorizes a state agency to set aside certain contracts for supplies or services for service-disabled veteran-owned (SDVO) small businesses.
- (2) Permits the Indiana Department of Administration (IDOA) to designate certain public works projects as an SDVO small business set-aside.
- (3) Provides that to qualify for a set-aside contract, the SDVO small business must:
 - (a) be owned and controlled by a service-disabled veteran who is a resident of Indiana; and
 - (b) have a current verification as an SDVO small business by the United States Department of Veterans Affairs Center of Veterans Enterprise.
- (4) Provides, with certain exceptions, that a state agency must set a goal for participation by SDVO small businesses of at least 3% of the overall dollar amount expended each state fiscal year by the state agency for purchases.
- (5) Provides that the Indiana Economic Development Corporation (IEDC) may assist a state agency in:
 - (a) compiling a list of SDVO small business;
 - (b) assisting an SDVO small business in complying with the procedures for bidding on governmental contracts;
 - (c) examining requests from state agencies for the purchase of supplies or services to help determine which purchases are to be designated as SDVO small business set-asides; and
 - (d) simplifying specifications and contract terms to increase the opportunities for SDVO small business participation in governmental contracts.
- (6) Requires the IDOA, beginning in 2014, to submit to the Legislative Council and the Governor an annual

report regarding state agency progress in meeting the 3% goal for SDVO small business contracts.

(7) Provides that an SDVO small business may not receive an Indiana small business price preference on purchases designated as an SDVO small business set-aside.

Effective Date: Upon passage; July 1, 2013.

Explanation of State Expenditures: *Indiana Department of Administration:* Under the bill, each state agency is required to set a goal of at least 3% of the overall dollar amount expended each fiscal year by the state agency for purchases and services to be provided by SDVO businesses. Even though this bill contains certain price protections, the potential still exists for a state agency to select a higher bid submitted by an SDVO business that is higher than an otherwise lowest competitive bid as a result of the set-aside program. Any resultant increase in state expenditures is indeterminable.

Additionally, this bill requires the Indiana Department of Administration to adopt rules that would govern the SDVO small business set-aside program and, starting in 2014, annually report to the Governor and Legislative Council specified information on the SDVO small business set-aside program.

The provisions of this bill are within the current routine administrative functions of the IDOA; however, the bill presents new responsibilities that must be performed in addition to currently existing workload. IDOA reported the bill will require IDOA to modify the state's Enterprise system to identify SDVO small businesses that submit RFPs on state contracts. If existing staffing and resource levels are currently being used to capacity, the IDOA may require additional funding and resources to implement the provisions of the bill. Any additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Indiana Economic Development Corporation (IEDC): The bill also allows the IEDC to assist state agencies by doing any of the following:

- (1) Compiling and maintaining a comprehensive list of SDVO small businesses,
- (2) Assisting SDVO small businesses in complying with the procedures for bidding on government contracts,
- (3) Examining requests from state agencies for contracted services and supplies to determine which purchases would be designated SDVO small business set-asides, and
- (4) Simplifying expectations and contract terms to increase opportunities for SDVO small businesses to participate in the RFP process.

The IEDC does not currently perform the tasks outlined in the bill for state contracting, but does perform a similar function for small-business set-aside purchases. The IEDC reports that performing the same tasks currently performed with the small-business set-aside program for an SDVO set-aside program would increase administrative workload and require additional staffing and resources. Although the bill allows the IEDC to perform these functions (and does not require them), to the extent the IEDC assists state agencies with contracting with SDVO small business set-asides, they will experience an increase in administrative workload and may require additional resources. Actual increases in workload will depend on the decision of the IEDC on how to assist state agencies with SDVO set-asides.

Background Information: Although the number of SDVO small businesses in the state is unknown, the Indiana Business Research Center reports that in 2007 there were approximately 46,800 veteran-owned businesses and an additional 24,200 partially veteran-owned businesses in the state. The Indiana Business Research Center also reports that 27.2% of Indiana veterans have some type of disability (although it is unknown if these disabilities are service-related or not). This would imply approximately 19,300 veteran-owned and partially veteran-owned businesses may be eligible to submit RFPs under the set-aside program. This figure does not account for (1) service-connected disability and (2) veteran majority ownership of the business.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected:

Information Sources: Connie Smith, IDOA; Eric Shields, IEDC; Indiana Business Research Center at Indiana University Kelley School of Business.

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